

112TH CONGRESS  
1ST SESSION

# H. R. 2826

To amend the Internal Revenue Code of 1986 to provide an exemption from employer social security taxes with respect to service members and veterans, and to provide a business credit for the retention of such individuals for at least 1 year.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 26, 2011

Mr. BRALEY of Iowa introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide an exemption from employer social security taxes with respect to service members and veterans, and to provide a business credit for the retention of such individuals for at least 1 year.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Combat Veterans Back  
5 to Work Act of 2011”.

1 **SEC. 2. PAYROLL TAX FORGIVENESS FOR HIRING COMBAT**  
2 **VETERANS.**

3 (a) IN GENERAL.—Section 3111 of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subsection:

6 “(e) SPECIAL EXEMPTION FOR CERTAIN INDIVID-  
7 UALS HIRED IN 2011 AND 2012.—

8 “(1) IN GENERAL.—Subsection (a) shall not  
9 apply to wages paid by a qualified employer with re-  
10 spect to employment during the period beginning on  
11 the day after the date of the enactment of this sub-  
12 section and ending on December 31, 2012, of any  
13 qualified individual for services performed—

14 “(A) in a trade or business of such quali-  
15 fied employer, or

16 “(B) in the case of a qualified employer ex-  
17 empt from tax under section 501(a), in further-  
18 ance of the activities related to the purpose or  
19 function constituting the basis of the employer’s  
20 exemption under section 501.

21 “(2) QUALIFIED EMPLOYER.—For purposes of  
22 this subsection—

23 “(A) IN GENERAL.—The term ‘qualified  
24 employer’ means any employer other than the  
25 United States, any State, or any political sub-

1 division thereof, or any instrumentality of the  
2 foregoing.

3 “(B) TREATMENT OF EMPLOYEES OF  
4 POST-SECONDARY EDUCATIONAL INSTITU-  
5 TIONS.—Notwithstanding subparagraph (A),  
6 the term ‘qualified employer’ includes any em-  
7 ployer which is a public institution of higher  
8 education (as defined in section 101(b) of the  
9 Higher Education Act of 1965).

10 “(3) QUALIFIED INDIVIDUAL.—For purposes of  
11 this subsection, the term ‘qualified individual’ means  
12 any individual who—

13 “(A) begins employment with a qualified  
14 employer after June 30, 2011, and before Jan-  
15 uary 1, 2013,

16 “(B) is a current member of the National  
17 Guard or other reserve component of the Armed  
18 Forces or a veteran (as defined in section 101  
19 of title 38, United States Code),

20 “(C) within 18 months before beginning  
21 such employment, returned from a deployment  
22 of at least 180 days in support of a contingency  
23 operation (as defined in section 101 of title 10,  
24 United States Code) or under section 502(f) of  
25 title 32, United States Code,

1 “(D) is not employed by the qualified em-  
 2 ployer to replace another employee of such em-  
 3 ployer unless such other employee separated  
 4 from employment voluntarily or for cause, and

5 “(E) is not an individual described in sec-  
 6 tion 51(i)(1) (applied by substituting ‘qualified  
 7 employer’ for ‘taxpayer’ each place it appears).

8 “(4) ELECTION.—A qualified employer may  
 9 elect to have this subsection not apply. Such election  
 10 shall be made in such manner as the Secretary may  
 11 require.”.

12 (b) COORDINATION WITH WORK OPPORTUNITY  
 13 CREDIT.—Section 51(c) of such Code is amended by add-  
 14 ing at the end the following new paragraph:

15 “(6) COORDINATION WITH PAYROLL TAX FOR-  
 16 GIVENESS.—The term ‘wages’ shall not include any  
 17 amount paid or incurred to a qualified individual (as  
 18 defined in section 3111(e)(3)) during the 1-year pe-  
 19 riod beginning on the hiring date of such individual  
 20 by a qualified employer (as defined in section  
 21 3111(e)) unless such qualified employer makes an  
 22 election not to have section 3111(e) apply.”.

23 (c) TRANSFERS TO FEDERAL OLD-AGE AND SUR-  
 24 VIVORS INSURANCE TRUST FUND.—There are hereby ap-  
 25 propriated to the Federal Old-Age and Survivors Trust

1 Fund and the Federal Disability Insurance Trust Fund  
2 established under section 201 of the Social Security Act  
3 (42 U.S.C. 401) amounts equal to the reduction in reve-  
4 nues to the Treasury by reason of the amendments made  
5 by subsection (a). Amounts appropriated by the preceding  
6 sentence shall be transferred from the general fund at  
7 such times and in such manner as to replicate to the ex-  
8 tent possible the transfers which would have occurred to  
9 such Trust Fund had such amendments not been enacted.

10 (d) APPLICATION TO RAILROAD RETIREMENT  
11 TAXES.—

12 (1) IN GENERAL.—Section 3221 of the Internal  
13 Revenue Code of 1986 is amended by redesignating  
14 subsection (d) as subsection (e) and by inserting  
15 after subsection (c) the following new subsection:

16 “(d) SPECIAL RATE FOR CERTAIN INDIVIDUALS  
17 HIRED IN 2011 AND 2012.—

18 “(1) IN GENERAL.—In the case of compensa-  
19 tion paid by a qualified employer during the period  
20 beginning on the day after the date of the enactment  
21 of this subsection and ending on December 31,  
22 2012, with respect to having a qualified individual in  
23 the employer’s employ for services rendered to such  
24 qualified employer, the applicable percentage under

1 subsection (a) shall be equal to the rate of tax in ef-  
2 fect under section 3111(b) for the calendar year.

3 “(2) QUALIFIED EMPLOYER.—The term ‘quali-  
4 fied employer’ means any employer other than the  
5 United States, any State, or any political subdivision  
6 thereof, or any instrumentality of the foregoing.

7 “(3) QUALIFIED INDIVIDUAL.—For purposes of  
8 this subsection, the term ‘qualified individual’ means  
9 any individual who—

10 “(A) begins employment with a qualified  
11 employer after June 30, 2011, and before Jan-  
12 uary 1, 2013,

13 “(B) is a current member of the National  
14 Guard or other reserve component of the Armed  
15 Forces or a veteran (as defined in section 101  
16 of title 38, United States Code),

17 “(C) within 18 months before beginning  
18 such employment, returned from a deployment  
19 of at least 180 days in support of a contingency  
20 operation (as defined in section 101 of title 10,  
21 United States Code) or under section 502(f) of  
22 title 32, United States Code,

23 “(D) is not employed by the qualified em-  
24 ployer to replace another employee of such em-

1           employer unless such other employee separated  
2           from employment voluntarily or for cause, and

3           “(E) is not an individual described in sec-  
4           tion 51(i)(1) (applied by substituting ‘qualified  
5           employer’ for ‘taxpayer’ each place it appears).

6           “(4) ELECTION.—A qualified employer may  
7           elect to have this subsection not apply. Such election  
8           shall be made in such manner as the Secretary may  
9           require.”.

10          (2) TRANSFERS TO SOCIAL SECURITY EQUIVA-  
11          LENT BENEFIT ACCOUNT.—There are hereby appro-  
12          priated to the Social Security Equivalent Benefit Ac-  
13          count established under section 15A(a) of the Rail-  
14          road Retirement Act of 1974 (45 U.S.C. 231n–1(a))  
15          amounts equal to the reduction in revenues to the  
16          Treasury by reason of the amendments made by  
17          paragraph (1). Amounts appropriated by the pre-  
18          ceding sentence shall be transferred from the general  
19          fund at such times and in such manner as to rep-  
20          licate to the extent possible the transfers which  
21          would have occurred to such Account had such  
22          amendments not been enacted.

23          (e) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
 2           this section shall apply to wages paid after the date  
 3           of the enactment of this Act.

4           (2) RAILROAD RETIREMENT TAXES.—The  
 5           amendments made by subsection (d) shall apply to  
 6           compensation paid after the date of the enactment  
 7           of this Act.

8   **SEC. 3. BUSINESS CREDIT FOR RETENTION OF CERTAIN**  
 9                           **NEWLY HIRED VETERANS.**

10          (a) IN GENERAL.—In the case of any taxable year  
 11          ending after the date of the enactment of this Act, the  
 12          current year business credit determined under section  
 13          38(b) of the Internal Revenue Code of 1986 for such tax-  
 14          able year shall be increased by an amount equal to the  
 15          product of—

16                (1) \$1,000, and

17                (2) the number of retained workers with respect  
 18          to which subsection (b)(2) is first satisfied during  
 19          such taxable year.

20          (b) RETAINED WORKER.—For purposes of this sec-  
 21          tion, the term “retained worker” means any qualified indi-  
 22          vidual (as defined in section 3111(e)(3) of the Internal  
 23          Revenue Code of 1986)—

24                (1) who was employed by the taxpayer on any  
 25          date during the taxable year,



1           (2) who was so employed by the taxpayer for a  
2           period of not less than 52 consecutive weeks, and

3           (3) whose wages for such employment during  
4           the last 26 weeks of such period equaled at least 80  
5           percent of such wages for the first 26 weeks of such  
6           period.

7           (c) LIMITATION ON CARRYBACKS.—No portion of the  
8           unused business credit under section 38 of the Internal  
9           Revenue Code of 1986 for any taxable year which is attrib-  
10          utable to the increase in the current year business credit  
11          under this section may be carried to a taxable year begin-  
12          ning before the date of the enactment of this section.

13          (d) TREATMENT OF POSSESSIONS.—

14               (1) PAYMENTS TO POSSESSIONS.—

15                   (A) MIRROR CODE POSSESSIONS.—The  
16                   Secretary of the Treasury shall pay to each pos-  
17                   session of the United States with a mirror code  
18                   tax system amounts equal to the loss to that  
19                   possession by reason of the application of this  
20                   section (other than this subsection). Such  
21                   amounts shall be determined by the Secretary  
22                   of the Treasury based on information provided  
23                   by the government of the respective possession.

24                   (B) OTHER POSSESSIONS.—The Secretary  
25                   of the Treasury shall pay to each possession of

1 the United States which does not have a mirror  
2 code tax system amounts estimated by the Sec-  
3 retary of the Treasury as being equal to the ag-  
4 gregate benefits that would have been provided  
5 to residents of such possession by reason of the  
6 application of this section (other than this sub-  
7 section) if a mirror code tax system had been  
8 in effect in such possession. The preceding sen-  
9 tence shall not apply with respect to any posses-  
10 sion of the United States unless such possession  
11 has a plan, which has been approved by the  
12 Secretary of the Treasury, under which such  
13 possession will promptly distribute such pay-  
14 ments to the residents of such possession.

15 (2) COORDINATION WITH CREDIT ALLOWED  
16 AGAINST UNITED STATES INCOME TAXES.—No in-  
17 crease in the credit determined under section 38(b)  
18 of the Internal Revenue Code of 1986 against  
19 United States income taxes for any taxable year de-  
20 termined under subsection (a) shall be taken into ac-  
21 count with respect to any person—

22 (A) to whom a credit is allowed against  
23 taxes imposed by the possession by reason of  
24 this section for such taxable year, or

1 (B) who is eligible for a payment under a  
2 plan described in paragraph (1)(B) with respect  
3 to such taxable year.

4 (3) DEFINITIONS AND SPECIAL RULES.—

5 (A) POSSESSION OF THE UNITED  
6 STATES.—For purposes of this subsection, the  
7 term “possession of the United States” includes  
8 the Commonwealth of Puerto Rico and the  
9 Commonwealth of the Northern Mariana Is-  
10 lands.

11 (B) MIRROR CODE TAX SYSTEM.—For pur-  
12 poses of this subsection, the term “mirror code  
13 tax system” means, with respect to any posses-  
14 sion of the United States, the income tax sys-  
15 tem of such possession if the income tax liabil-  
16 ity of the residents of such possession under  
17 such system is determined by reference to the  
18 income tax laws of the United States as if such  
19 possession were the United States.

20 (C) TREATMENT OF PAYMENTS.—For pur-  
21 poses of section 1324(b)(2) of title 31, United  
22 States Code, rules similar to the rules of section  
23 1001(b)(3)(C) of the American Recovery and  
24 Reinvestment Tax Act of 2009 shall apply.

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